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Country cooperation frameworks and related matters

Country review report for the Republic of Moldova*

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*The present report contains a summary of the findings of the review. The full text is available in the language of submission from the Executive Board secretariat.

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Introduction

1. The independent mission to review UNDP activities under the first country cooperation framework (CCF) for the Republic of Moldova (1997-2001) took place in February 2001. The mission interviewed more than 40 senior government officials, national project coordinators and managers, members of the non-governmental community, donors, other United Nations entities resident in the country, as well as the staff of the UNDP country office.

2. The management review took place on 16 February 2001. The formal country review meeting took place on the same day, with the participation of the Government, the donor community, non-governmental organizations (NGOs) and UNDP. The Deputy Minister of Economy and Reforms chaired the latter meeting. The record of that meeting is available as a separate document. The meeting reviewed the major findings and recommendations of the review team. Because national elections were scheduled to be held one week after the country review meeting, broad discussion was encouraged but decisions could not be taken on behalf of the next Government.

I. The national context

3. The Republic of Moldova's brief period of independence reflects the strains of its transitions as well as those of the region and of the wider world. With a small open market economy and civil society, the Republic of Moldova has progressed less quickly than expected. Despite good initial progress in reforming the economy, the Republic of Moldova has yet to complete its reform process and its economic performance has yet to improve. The country is both a beneficiary and an occasional victim of rapidly changing international economies, and its policies and practices are likely to take their direction in considerable measure from its evolving global roles.

4. The scope and depth of poverty in the Republic of Moldova now affects all aspects of transition. Rural poverty has increased significantly, as has the relatively new phenomenon of urban poverty; the sharp decline in per capita gross domestic product that began shortly after independence has not been appreciably reversed. Unemployment and underemployment affect all sectors of the economy, society and polity. The combination of these factors as well as limited social welfare benefits are reinforcing poverty, and for some, highlighting the attractions of the shadow economy, which is itself a critical indicator of economic strain. Cautious estimates place the non-taxed sector at close to 60 per cent of the official economy. Although tax revenues have risen in the last two years, as has the percentage of taxed revenue, the state budget is still far too small relative to the shadow economy, and to the needs of the population. It is believed by all parties that the fate of open political contest and the country's economic advancement relies to a large extent on the Government's responsiveness in addressing corruption.

5. Some sectors are reportedly beginning to perform more efficiently and effectively. However, this trend has yet to include the whole economy or represent a major shift in the economic well-being of the country and its residents. The State has complied in significant measure with the formal requirements of policy reform, but the intermittent nature of this process has not attracted foreign investment as expected. The State remains burdened by a large foreign debt. Although state institutions have taken some steps to change governance patterns, important interventions to lessen control of the centralized State have yet to bear fruit. The critical role of civil society in the reform process needs to be strengthened in furthering the required reforms.

6. The Republic of Moldova's growth is integrally related to the global economy. The areas of strength in the future Moldovan economy, including an educated workforce, natural resources to support reforms in the agrarian economy, a relatively advantageous location, and a willingness to comply with international standards and practices, require nurturing. The country's small economy is open enough to make it vulnerable to forces beyond its control, and its future relationships with regional and international organizations are necessary to help achieve a balance among external pressures on the political economy. In particular, the resolution of problems associated with

the Trans-Dnistria conflict is a critical prerequisite for state security, the viability of relations with the Republic of Moldova's neighbours, and the country's reform and future prosperity.

7. The transition has been slower than anticipated and has taken frequent, unexpected detours. The problems of the political economy remain a challenge that the Government will face in the coming years. It will require the state and its citizens to plan and act for the longer term. External donors have provided large infusions of resources since the Republic of Moldova's independence. With a new government in place, the conditions can be created for improvement in political and economic areas.

II. The country cooperation framework

8. The CCF, which was intended to cover the period 1997-1999, was extended twice until 2001, to harmonize its cycle with that of the United Nations Children's Fund (UNICEF). It was organized around two primary themes: governance and sustainable livelihoods. The projects focused mainly on the formulation of national policy and the implementation of policy in specific sectors. Despite the focus of the first CCF on these two primary objectives, over time, the UNDP portfolio grew to include a wider range of projects, some of which seemed less closely related to the original objectives. This evolution was in part a reflection of the resource mobilization process and in part the UNDP response to changing circumstances. Under the second CCF, UNDP will continue this opportunistic approach, where appropriate, but will use a screening process to ensure that the new projects contribute to the selected objectives of the CCF.

Recommendations and agreed actions

9. Future UNDP cooperation should give precedence to strengthening civil society to broaden participation in development. This should include directly assisting the non-governmental sector in its efforts to provide a strong enabling environment for NGOs, training new partners for programmes and projects, and working through international NGOs to reach the widest possible number and kind of development partners. To ensure coherence in its policy-oriented work, UNDP should foster, refine, and diversify advocacy in its own work and that of its partners. In so doing, UNDP can further its efforts to be responsive without being reactive, anticipate changes in the policy environment, and, most critically, bring an international perspective to all of its activities in the Republic of Moldova. To ensure the integrity of its programme, all projects in the next CCF should include three elements: a strong concentration on poverty alleviation, an equally strong concentration on anti-corruption activities associated with governance reform, and a commitment to broad, independent civil society participation. These elements can be translated into standards for assessing the impact of future UNDP projects.

III. Programme performance

10. UNDP and the Republic of Moldova have taken positive steps to integrate its programme into countrywide efforts to sustain reform. Its relationships with government, donors and other development actors appear generally to be strong. Because the political environment during the period of the CCF was exceptionally fluid, the impact of much of the UNDP policy-oriented work will be difficult to judge for some time. Although the CCF was organized around the themes of governance and sustainable livelihoods, the programme could more accurately be described as being organized around several categories of engagement with the State and society. Many of UNDP projects took their shape from those familiar to the region covered by the UNDP Regional Bureau for Eastern Europe and the Commonwealth of Independent States.

A. National strategies, policy studies and policy implementation

11. One key group of projects has concentrated on data gathering and analysis. The project could be improved by closer monitoring of the *National Human Development Report*, which has been published annually, by broadening its audience and thus its format, content, frequency and orientation, and by

using new data and analysis derived from new UNDP-sponsored projects. The analysis provided by the new poverty mapping and monitoring project, initiated with the Department of Economy and Reforms, should contribute to policy across the Government, and should be coordinated with ongoing work on corruption and the shadow economy. Intersections between projects and local governance and environment, highlighted by "Moldova 21" and the implementation of the national environmental action plan, should be used as models for programmes in other areas. New projects, including tourism development, should be monitored carefully, to ensure that they do not expand beyond implementation capacities. The role of UNDP in an evolving portfolio of HIV/AIDS projects should continue to be encouraged.

B. Capacity-building and training

12. Plans should be developed for the post-project status of the Center for Strategic Studies and Reform, as well as the Programme Project Implementation Center. An evaluation of the institutions' work to date, including an assessment of the influence of their activities on state policy, should set a context for their future programme. UNDP can play a role in contributing to the planning process.

13. A four-pronged project to strengthen the judiciary has concentrated on judicial training, and in a special intervention, on the establishment of the Constitutional Court. The project should be expanded and build partnerships to include law faculties and NGOs, in order to address problems related to access to justice. UNDP may be a useful interlocutor in assisting the Government to review the concept and operation of the Center for Human Rights and to take actions to improve its performance. The project on local governance, which has trained newly elected mayors and provided information links between localities and the central Government, would also benefit from a wide range of institutions in the region, including NGOs.

14. The project on trafficking prevention with Transparency International would benefit from cross-fertilization with the new UNDP anti-corruption project. Building on UNDP experience with local governance reform, the anti-corruption project should become a cornerstone of the programme under the next CCF. Future iterations of a pilot project to encourage civil society confidence-building measures with the Trans-Dnistria region should be moved to the region itself. On a broader basis, UNDP should explore ways to include Trans-Dnistria under the next CCF.

Recommendations and agreed actions

15. *National Human Development Reports*, in addition to advocating specific pro-poor changes are also useful in providing disaggregated national human development indices, which track changes in the poverty gaps faced by vulnerable groups. The poverty mapping activities funded by UNDP should be guided by the broader notions of poverty pioneered and advocated by UNDP globally, through the concept of human development, and not just income poverty.

16. The impact of economic transition on women needs to be examined as experience elsewhere indicates that there have been very substantial decline in women's status with increasing feminization of poverty. A more rigorous poverty analysis would be necessary to pinpoint specific entry points where UNDP has comparative advantage.

IV. UNDP support to the United Nations

Findings and recommendations

17. The United Nations community in the Republic of Moldova is small and includes UNDP, UNICEF, and the Office of the United Nations High Commissioner for Refugees. The United National Educational, Scientific and Cultural Organization is represented by a National Commission, and the World Health Organization by a national liaison officer. The Bretton Woods institutions are fully represented in Chisinau. The UNDP Resident Representative acts on behalf of he United Nations Population Fund and several other non-resident agencies, and UNDP supports the Resident Coordinator's activities. UNDP and UNICEF share United Nations common premises, for which UNDP provides management. The Country Team meets

regularly; coordination works relatively well, but collective activities and joint programming are still unusual.

18. During the calendar year 2000, UNDP and the Republic of Moldova coordinated a process leading to the completion of a Common Country Assessment (CCA) and a draft United Nations Development Assistance Framework (UNDAF). The CCA process took as its starting point those sectors and concerns that form the mandate for United Nations programmes in the country. The CCA document should be revised periodically: the quality of future CCAs is likely to be enhanced if the scope of their analysis is broadened. The Republic of Moldova's CCA/UNDAF process, while initially directed by UNDP (and coordinated by the Centre for Strategic Studies and Reform), became more collaborative and participatory in the course of finalizing the two documents. The relatively small United Nations budget in the Republic of Moldova should be a clear incentive for all agencies, funds and programmes to plan and act harmoniously, if not in full concert. This, in turn, should serve as a basis for coordinating United Nations activities with those of the larger donor agencies, and establishing resource mobilization strategies for UNDP and the United Nations system as a whole. United Nations coordination has also been enhanced by the creation of working groups to initiate activities in special thematic areas, and in some instances, to prompt collaborative projects with other donor agencies. Although the process is relatively young, it has thus far been encouraging and is likely to yield benefits for the development community and, more importantly, for the entire country.

Annex

Financial summary

Country: Republic of Moldova
CCF period: 1997-2001
Period covered by the country review: 1997-2000

Regular resources	*Amount assigned for the full period of the CCF*	*Amount actually made available for the period under review*	*Estimated expenditure for the period under review*
	(Thousands of US dollars)		
Estimated IPF carry-over	333	333	333
TRAC 1.1.1 and 1.1.2	1 115	663	653
Other resources	1 863	1 863	1 863
SPPD/STS	331	291	285
SPR		188	188
Subtotal	**3 642**	**3 338**	**3 322**

Other resources	*Amount targeted for the full period of the CCF*	*Amount mobilized for the period under review*	*Estimated expenditure for the period under review*
	(Thousands of US dollars)		
Government cost-sharing	10 000	294	294
Third-party cost-sharing	12 592	6 825	4 935
Funds, trust funds and others	588	657	543
Of which:			
GEF		424	320
Capacity 21		100	100
Other trust funds	588	133	123
Subtotal	**23 180**	**7 776**	**5 772**
Grand total	**26 822**	**11 114**	**9 094**

Abbreviations: GEF = Global Environment Framework; IPF = indicative planning figure; SPPD = support for policy and programme development; SPR = Special Programme Resources; STS = support for technical services; and TRAC = target for resource assignment from the core.